

17 December 1986

ARTICLE APPEARED
ON PAGE C-3

NEW REVELATION ON FUNDS FOR CONTRAS

I warned Meese: Casey

By JOSEPH VOLZ and HARRISON RAINIE

News Washington Bureau

WASHINGTON—CIA Director William Casey claims he sent a memo to Attorney General Edwin Meese in early October outlining suspicions that Iranian arms money secretly had been diverted into the hands of the Contras, the Daily News learned yesterday.

Meese repeatedly has contended that he had no hint of any such diversion until almost two months later, when he interviewed fired White House aide Oliver North.

But Casey has told friends in recent days that he sent Meese a memo shortly after learning—from a New York

The timing of the Casey memo appears to coincide with Meese's attempt to limit the federal investigation of the CIA-financed airline, Southern Air Transport, which has operations in Latin America.

George Lauder, a CIA spokesman, declined to either confirm or deny yesterday the existence of the potentially crucial memo. But Lauder conceded that if such a memo had been received by Meese, it directly would conflict with Meese's statement that he knew nothing about any such diversion of funds to the Contras until the end of November.

Patrick Korten, Meese's spokesman, had no immediate comment.

Casey, 73, remained in Georgetown University Hospital yesterday for treatment following two cerebral seizures suffered Monday. The "minor" incidents forced the Senate Intelligence Committee yesterday to cancel what would have been Casey's third appearance before the panel.

EXCLUSIVE

businessman, Roy Furmark, on Oct. 7—of the possible diversion of funds.

Limiting probe

Furmark, representing a group of disgruntled Canadian businessmen, had complained to Casey that the Canadians had advanced up to \$20 million to finance a secret U.S. arms sale to Iran but were not paid back. After reading that a U.S. plane carrying weapons was shot down over Nicaragua two days earlier, the Canadians suspected that their cash had ended up bankrolling the Contras.

Casey said that he relayed Furmark's suspicions to Meese in his memo.